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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

AUG - 1 1994

In the Matter of

Billed Party Preference for 0+  
InterLATA Calls

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CC Docket No. 92-77

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

**Comments of U.S. Intelco Networks, Inc. on the Further Notice of Proposed Rulemaking**

U.S. Intelco Networks, Inc. ("USIN"), on behalf of itself and its Independent Telephone Company ("ITC" or "Independent") owners and users and pursuant to Section 1.415 and 1.419 of the Commission's Rules,<sup>1</sup> respectfully submits the following Comments on the Further Notice of Proposed Rulemaking ("Further Notice") released herein on June 6, 1994.<sup>2</sup>

USIN is wholly owned by 282 ITCs and provides customer database services, calling card billing validation services, 800 RESPORG services, revenue administration services and other related database services to over 1000 Independents nationwide. As owner and operator of the Independent telephone company LIDB, USIN is particularly interested in assisting the Commission in fashioning policies for 0+ calling which provide convenience for the subscribers of rural telecommunications providers without undue technical complexity or expense, the costs of which would ultimately be borne by those subscribers.

<sup>1</sup> 47 C.F.R. §§ 1.415; 1.419.

<sup>2</sup> In the Matter of Billed Party Preference for 0+ InterLATA Calls, CC Docket No. 92-77, Further Notice of Proposed Rulemaking, released June 6, 1994. See Notice of Proposed Rulemaking, CC Docket 92-77, 7 FCC Rcd 3027 (1992) ("NPRM").

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## **SUMMARY OF USIN'S POSITION**

The record developed in response to the 1992 NPRM indicated two facts regarding the costs of Billed Party Preference ("BPP"): 1) BPP would require the imposition of significant costs on local exchange providers (\$1.1 billion in nonrecurring costs, and \$60 million in annual recurring expenses); 2) the specific level of costs is uncertain and based on unreliable data. See Further Notice, para. 20. USIN believes that these costs are unlikely to be outweighed by the benefits of BPP. More specifically, USIN believes that the gains in competition and customer convenience sought to be achieved via BPP would not outweigh the costs imposed on the LECs and OSPs who serve those markets.

Therefore, USIN believes that the Commission should not mandate implementation of BPP. If the Commission does require BPP, USIN also requests that the Commission clarify that BPP is an access service, and that cost recovery of BPP will be permitted under recognized access cost principles. The Commission's discussion of BPP, a service which provides an enhanced method for carriers who purchase access service to be connected to their customers, implies that BPP is an access service. Accordingly, the Commission should clarify that LEC BPP costs would be recovered through access charges and, for smaller LECs, through existing access charge pooling mechanisms.

Additionally, if BPP is mandated, the benefits of BPP can be best achieved without the additional expense of 14-digit LIDB screening. The Commission notes that the primary benefit of 14-digit screening in LIDB is the ability of customers to hold multiple line number based cards. See Further Notice, para. 70. The record in response to the initial NPRM supports a conclusion that multiple line-number based cards would substantially increase BPP costs without

offering any significant benefit. Further Notice, para. 71. Indeed, several parties who support BPP argue against 14-digit screening.<sup>3</sup>

USIN believes the analysis of those LECs is correct. No entity is presently unable to issue a line-number based card, and nothing about BPP would change that fact. The ability to issue multiple line-number based cards is therefore unnecessary to permit OSPs to be able to issue a line-number based card. USIN believes that the goals of BPP (should BPP be adopted) can be achieved most effectively within the context of ten-digit screening.

## **DISCUSSION**

### **I. The Commission Should Not Mandate the Implementation of BPP**

The Commission recognizes that to implement and operate BPP, substantial network modifications are required, although the actual extent of the costs of such modifications is uncertain. Further Notice, para. 20. According to the Further Notice, it is estimated that BPP would require the imposition on LECs of \$1.1 billion in nonrecurring costs, and \$60 million in annual recurring expenses. Further Notice, para. 27. As a preliminary matter, USIN agrees that no decision with respect to whether or not BPP is in the public interest can be made without up-to date, reliable and precise information on these costs, and the extent to which these costs are acceptable to the consumers who will pay for BPP.

While there is evidence that consumers find access code dialing inconvenient, see Further

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<sup>3</sup> See, e.g., Further Notice, para. 71, n.97 (listing LECs stating that multiple line number cards in LIDB would increase costs without any significant benefit).

Notice at para. 10, n. 21, there is little or no evidence as to what price customers are willing to pay for BPP, or that consumers demand BPP as a solution. The Further Notice states that the Commission believes consumers would pay "a few cents more per call" to enjoy BPP, but, understandably, the Commission does not yet have any support for this conclusion. Indeed, the Further Notice indicates that there is a possibility that customers may choose to dial around BPP, rather than incur the extra costs of using the 0+ convenience. See Further Notice, para. 58. Therefore, USIN submits that the Commission should not mandate BPP unless the record compiled in response to the Further Notice indicates that customers perceive significant value from BPP, and that the end user is willing to bear the substantial additional costs of convenient 0+ dialing.

Additionally, USIN is concerned that the Commission may not fully appreciate the extent of the costs imposed by BPP on small, rural carriers. The Commission supports its conclusion to impose BPP on independents by analogy to 800 database service - noting that LECs without operator service stations could trunk their 0+ and 0- traffic to another LEC for screening. This analogy is faulty in that it neglects to address the modifications needed to separate out 0+ and 0- traffic at the central office switch. Presently, all central office switches are hard coded with a software program which routes all 0+ traffic directly to the carrier presubscribed to the originating line. In fact, the Further Notice recognizes that, under BPP, software upgrades are needed to enable switches to route such traffic to the LEC OSS. See Further Notice, para. 21. These software upgrade costs are expected to be quite significant, especially for smaller Independents. Accordingly, USIN disputes the FCC's tentative finding that the benefits of BPP outweigh the costs. Given the substantial costs, the Commission should not mandate the implementation of BPP. At a minimum, the Commission should more fully develop a record

on both the costs to local exchange carriers, the impact on ratepayers and their willingness to bear the impact of these costs, and on recovery of the costs of BPP.

The Commission's discussion of BPP cost recovery implies that BPP will be regulated as an access service under Part 69 of the Commission's Rules. 47 C.F.R. § 69.1 et. seq.; see, e.g. Further Notice, paras. 57 (BPP is a "new service" under price caps); Id., para. 56 (Bell Atlantic notes that the FCC must modify Part 69 to permit new rate elements for BPP). However, the Further Notice does not clearly identify the methodology for recovery of the costs of BPP. Accordingly, USIN requests that the FCC clarify that BPP will be classified as an access service, and that recovery of BPP costs will be achieved through access charges.

**II. 14-Digit Screening Will Create Significant and Unnecessary Costs While Creating No New Benefits.**

In the Further Notice, the Commission seeks comment on the relative costs and benefits of 14-digit screening versus 10-digit screening during the portion of a 0+ call in which database queries are sent to a LIDB to identify the carrier and/or validate the customer's credit device. Further Notice, paras. 70-74. USIN owns and operates a LIDB and is familiar with the costs and operating changes which would be necessary to provide 14-digit calling card screening. Based in part on this expertise, USIN submits that 14-digit screening will create significant and unnecessary costs while creating no new benefits.

USIN agrees that no party should be precluded from offering line-number based calling cards. See Further Notice, para. 73. However, USIN submits that 14-digit screening is not necessary to permit OSPs to issue line number based calling cards. Nothing presently precludes

an IXC from issuing a line-number based calling card (as some IXCs do), and nothing about BPP would change this capability. Rather, 14-digit screening merely permits a customer to hold multiple line-number based cards, based on the same 10-digit phone number, with a different PIN assigned to different carriers. This is the only benefit identified by the Commission in both the NPRM, and the Further Notice. See Further Notice, para. 70., n.96.

However, the Further Notice indicates that many LECs believe that there are substantial costs involved with 14-digit screening. Further Notice, para. 71. USIN concurs in this analysis. USIN also concurs with Ameritech that 14-digit screening would be harmful in that OSPs could issue proprietary line number cards which could not be validated by other carriers when the customer attempts to reach that other carrier via an access code. Further Notice, para. 71.

Moreover, the three key benefits sought to be achieved by BPP would not necessarily be enhanced by enabling the customer to hold multiple line-number based cards. Calling would not necessarily be simplified, as customers are equally as likely to confuse one carrier's PIN with that of another as they are to forget or be confused by access codes. The premise of BPP appears to be that customers would like to be able to utilize a single "carrier of choice" from any location. See Further Notice, at para. 11. Therefore, when weighed against the possibility for customer confusion, little simplification would be achieved by permitting multiple line-number based cards.

Similarly, the Commission hopes that BPP will: 1) refocus competitive energies in the telecommunications service market, and 2) eliminate AT&T's advantage in both the calling card and telecommunications service markets. With respect to these two goals, multiple line-number

based cards will do little, in a BPP environment, to create additional competition in the telecommunications services market. In a BPP environment, a provider's ability to offer an additional line-number based card will have little effect on competition in the telecommunications services market. Similarly, AT&T's advantages will be largely eliminated by BPP, even without the features made possible by 14-digit screening. Under BPP, the leverage gained by issuing a proprietary card in an environment in which 0+ dialing is permitted only at a carrier's presubscribed phones will be eliminated. As a customer no longer needs to be at an AT&T phone to dial 0+ on their AT&T card, no entity would enjoy an advantage in either the OSP or calling card issuance market by virtue of presubscription. Once BPP is implemented, the ability of a particular carrier to offer an additional line-number based card contributes nothing to these goals.

Such marginal benefit should be weighed against the costs of the modifications to, and complications of, the LIDB system necessary to accommodate multiple line-number based cards. BPP will be expensive enough, and the cost of LIDB and related software upgrades should not be increased any more than necessary. Specifically, 14-digit screening will complicate and unduly burden the LIDB system in the following ways:

- Complicate assignment and maintenance of LIDB data;
- Higher cost of increased LIDB storage and processing capacity;
- Higher fraud risk created by multiple PINs and decentralized fraud controls;
- Complicate the determination and assignment of fraud liability.

14-digit screening will complicate the assignment and maintenance of LIDB data, as all single line number/multiple PIN combinations would need to reside in a LIDB for purposes of

carrier identification and/or validation. In a 14-digit screening environment, a carrier would theoretically be permitted to issue cards, assign PINs at their discretion, and maintain the LIDB information (either directly or through a LEC's LIDB administration system). This joint administration of LIDB data would create additional transaction costs for each LIDB every time a new line-number card is issued or changed, and impose new burdens on the LEC LIDB administrators.

Moreover, additional BPP costs would be created by the increased storage capacity and processing requirements imposed on the LIDB. Ongoing data administration processes would require an overhaul to support updates from multiple parties, or to implement a system of exchanging 0+ carrier and validation information with the carriers.<sup>4</sup>

The Commission has recently received comments discussing the extensive problem of telecommunications fraud. See, e.g., Notice of Proposed Rulemaking, CC Docket 93-282, 8 FCC Rcd 8618 (1993). The proliferation of multiple line-number/PIN based calling cards will undoubtedly lead to increased difficulties in reducing fraud, and establishing fair and equitable rules to assign fraud liability to the party most able to prevent fraud. Specifically, multiple PINs per line number increases the risk of card-based fraud through random hacking (the process of using random-number generation software to determine the PIN assigned to a known line number). Multiple PINs may also increase fraud through a cardholder's propensity to record their multiple PINs on "cheat sheets."

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<sup>4</sup> For 1+ PIC data, this is presently done through the Customer Account Record Exchange (CARE) system.



14-digit screening may lead to a proliferation of proprietary validation databases maintained by individual carriers who issue line-number based cards. These multiple validation databases would reduce the effectiveness of fraud monitoring and controls possible in a centralized database, in which LIDB administrators can monitor the usage of a particular card account across multiple carriers, which enhances the ability to identify fraudulent usage. This is particularly important when determining who is responsible for preventing fraud, and assigning liability for fraudulent usage.

Where the LIDB data for a given exchange resides in multiple databases, and/or is jointly administered by a number of parties, assignment of liability for fraud could be difficult or impossible, without detailed tracking of update and query/response activity for each card account. Presently, LECs and LIDB administrators can, to a reasonable extent, control the accuracy of the LIDB data on which carriers rely for validation, and for identifying patterns which suggest fraudulent usage. Where LECs and carriers jointly administer LIDB data, assignment of accountability becomes less clear, and the potential for fraudulent usage increases sharply.

## **CONCLUSION**

For the reasons discussed herein, the Commission should not mandate BPP. At a minimum, the Commission should demonstrate that customers are willing to bear the costs of the new service before finding that BPP is in the public interest, and clarify that cost recovery for BPP will be achieved through existing access charge mechanisms.

Should the Commission mandate BPP, it should not mandate that BPP be provided with 14-digit screening. 14-digit would impose even further costs and complications, increase

difficulties with fraud, and create only one benefit: the ability to issue multiple line-number based cards. This "benefit" creates no tangible benefits at all: 14-digit screening is not necessary to enable OSPs to issue line-number based cards, and it in fact may reduce the extent to which the Commission's three key benefits of BPP are achieved.

Respectfully submitted,

U.S. INTELCO NETWORKS, INC.

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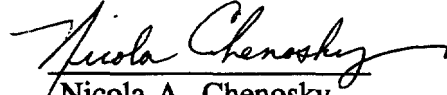
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Date: August 1, 1994

## **CERTIFICATE OF SERVICE**

I, Nicola A. Chenosky, hereby certify that on this 1st day of August, 1994, a copy of the foregoing "Comments of U.S. Intelco Networks, Inc. on the Further Notice of Proposed Rulemaking" was served by hand delivery to the following parties:

  
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